CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION
MARCH 2003











State Treasurer Phil Angelides, Chair

CDIAC 03-3



Tools to Revitalize California Communities

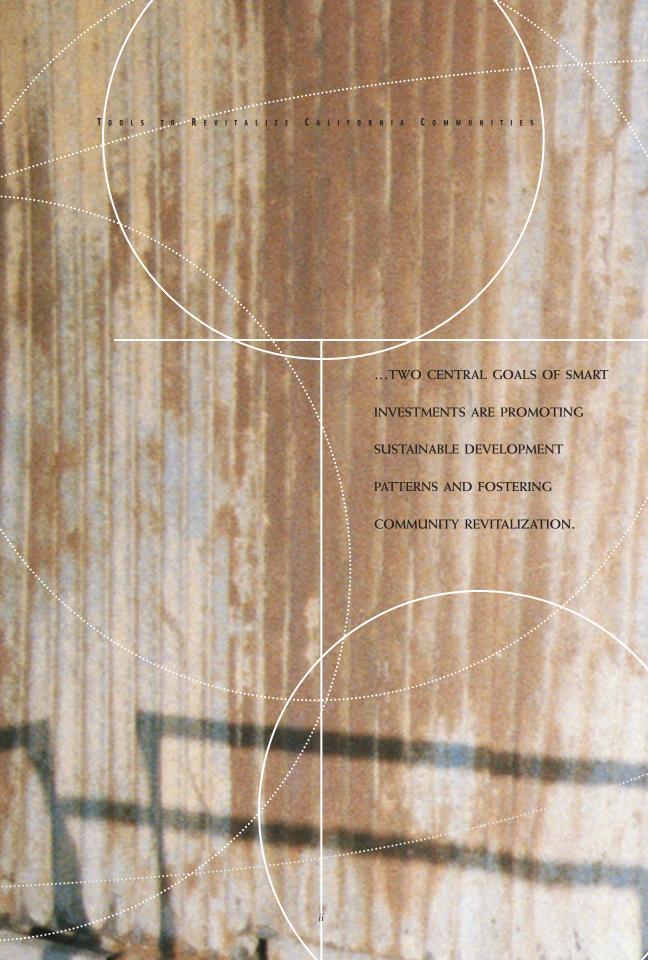
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The June 1999 report entitled *Smart Investments* cites the growing gap between "the two Californias." *Smart Investments* notes that the growing gap is increasingly reflected in how and where we live – with the economic and social distance ever growing between our older cities, inner-ring suburbs, and rural communities, on the one hand, and wealthy urban enclaves and thriving suburbs, on the other.

Smart Investments further recognizes that two central goals of smart investments are promoting sustainable development patterns and fostering community revitalization. These two goals are fundamentally linked. Public investment policy plays a

central part in achieving these goals. This reference guide provides an overview of community revitalization financing, looks at the types of public investment tools available for community revitalization, and gives basic information on selected public investment programs available in California. To better enable the reader to relate to the available uses of these funds, real-life success stories are provided whenever possible. Lastly, this guide gives contact information to obtain further details on these programs.



Role of CDIAC in State and Local Debt Financing

The California Debt and Investment Advisory Commission (CDIAC) provides information, education, and technical assistance on public debt, investments, and economic development financing to local public agencies and other public finance professionals. CDIAC was created in 1981 with the passage of Chapter 1088, Statutes of 1981 (AB 1192, Costa). This legislation established the California Debt Advisory Commission as the State's clearinghouse for public debt issuance information and required it to assist state and local agencies with the monitoring, issuance, and management of public debt. CDIAC's name was changed to the California Debt and Investment Advisory Commission with the passage of Chapter 833, Statutes of 1996 (AB 1197, Takasugi) and its mission was expanded to cover public investments.

CDIAC engages in a wide range of activities in three general program areas: data collection, policy research, and technical assistance.

DATA COLLECTION

As the State's clearinghouse for public debt financing information, CDIAC has

compiled data on all public debt issued in California since January 1, 1982. All issuers of state and local government debt are required to submit information on a proposed bond sale to CDIAC 30 days prior to the sale date. Issuers also must submit a report of final sale no later than 45 days after the sale with a copy of the final official statement. The data reported to CDIAC include the sale date, name of the issuer, the type of sale, the principal amount, the type of debt instrument, the source or sources of repayment, the purpose of the financing, the rating of the issuer, the members of the financing team, and issuance costs and fees. Depending on market conditions, 2,500 to 4,000 reports are received each year. Data from these reports is the basis for statistical information used for debt issue analysis, research projects, and education.

POLICY RESEARCH

CDIAC's mandated duties include some that are intended to improve the market for, and indeed the marketability of, public debt issued in California. Such functions include efforts to maintain contact with participants in the municipal

debt industry, to undertake or commission studies of various aspects of the market in order to provide guidance to state and local debt issuers, and to recommend legislative changes in matters affecting public debt issuers. To fulfill these functions, CDIAC's Policy Research Unit draws on information from CDIAC's debt issuance database, public and private experts throughout the municipal industry, public and private finance groups, periodicals and journals, and other existing resources. With the assistance of the Executive Director, CDIAC determines the issues that are addressed by the Policy Research Unit. Research staff remain knowledgeable of developments

and events in the municipal

and other
financial
markets in
order to
provide
the

Executive
Director and
the Commission

with input and advice on

making such determinations. Since 1996, CDIAC also has been charged with providing education and assistance to local government officials on public investments. This mandate has led to publication of several reports and to new statutory requirements (effective January 1, 2001) for cities and counties to provide copies of certain local investment reports to CDIAC twice annually.

CDIAC selects projects that are of current interest and have practical relevance to public finance practitioners. These projects are typically designed to: (1) keep issuers/investors apprised of emerging trends in public finance; (2) develop ways of reducing issuance costs; (3) provide financing options for local issuers; (4) raise the issuers'/investors' sophistication levels with regard to debt issuance and public investments, respectively; and (5) preserve the integrity and viability of the public finance market by alerting policy makers to potential problem areas.

TECHNICAL ASSISTANCE

CDIAC's technical assistance program has three components. The first component is the publication of reference materials, issue briefs, statistical reports, technical guidelines for state and local issuers, and other research findings and briefs often in coordination with CDIAC's Policy Research Unit. One of its most notable publications is

the *California Debt Issuance Primer*, which contains information on the types of debt instruments available and the roles and responsibilities of municipal debt issuers and private industry professionals. The *Primer* provides a comprehensive overview of and reference document for the debt issuance process in California.

The second component is CDIAC's seminar program. Since 1984, CDIAC has organized educational seminars focusing on public finance matters and the debt issuance process. Offered throughout the year at various locations in the State, CDIAC seminars are designed to: (1) introduce public officials who are new to the field of public finance to the debt issuance and investment processes; (2) strengthen the expertise of public officials who are familiar with the municipal debt issuance process and the investment of public funds; and, (3) inform public officials about current topics that may affect public finance, public debt issuance, and the investment of public funds. The majority of officials who participate are from local agencies, while the remainder represent state and federal agencies.

Recently, CDIAC began a new series of educational courses on the tools for community revitalization. CDIAC will

co-host seminars and panels designed to provide local government officials with tools that would assist them with community revitalization. Tools presented will include loans, grants, and programs offered for specific purposes including school facilities, affordable housing, industrial development facilities, health facilities, pollution control facilities, brownfield remediation and redevelopment, community planning, and small business financing.

In addition to the educational seminars, CDIAC has acted as co-sponsor of public finance-related conferences, symposia, and seminars conducted by private companies and statewide associations. Such co-sponsorships allow CDIAC to contribute its expertise to the event, increase contacts with experts from public and private sectors, and keep abreast of current matters affecting public finance and the debt issuance process.

The third component of CDIAC's technical assistance program involves responding to inquiries concerning California debt issuance. CDIAC receives daily contacts from representatives of public and private entities and the media for data on debt issuance and information on the nature and application of specific debt

instruments. CDIAC staff respond to over 2,000 such requests for information or assistance each year.

POINT OF CONTACT

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Overview of Community Revitalization Financing

WHAT IS ECONOMIC DEVELOPMENT?

According to the National Council for Urban Economic Development, economic development is "a process that influences the growth and restructuring of an economy to enhance the well-being of a community." A thriving local economy is the foundation for improving the quality of life in a community. Quality of life can be interpreted to include the ability to offer community residents the opportunities for jobs and good government services including quality schools, security, and infrastructure, as well as providing for the welfare of those unable to care for themselves.

WHAT IS COMMUNITY REVITALIZATION?

Over the past 30 years, disinvestment in urban neighborhoods has accelerated the decline of these underserved communities, leading to deterioration, diminished tax bases, increased crime, and deteriorating infrastructure. Community revitalization is neighborhood–specific economic development activity involving the residents, businesses, local government, community organizations, banks, and institutions, along with support from federal, state,

private, and non-profit resources. All of these players are involved in the strategies and activities that help revitalize a community. Community revitalization prevents the spread of blight and urban sprawl and makes a community more attractive, thereby increasing land and property values, which will attract private investors and new business.

GOALS OF COMMUNITY REVITALIZATION

The goal of a community revitalization program is to transform distressed or deteriorating communities into vibrant and economically diverse communities. Specifically, communities need attention to the following sectors of their economies to facilitate this transformation:

- · Providing affordable housing,
- · Increasing educational opportunities,
- · Improving access to health care,
- Retaining and expanding business opportunities,
- · Improving infrastructure, and
- Fostering environmental cleanup of contaminated sites.

All of these sectors are fundamentally linked and are vital to a vibrant local

economy. Community revitalization initiatives can foster the development of these sectors and increase investment of private capital in these communities.

PLAYERS IN COMMUNITY REVITALIZATION

The major players in community revitalization include public and private sector entities and public-private partnerships. Public sector entities include local, state, and federal government agencies. Private sector entities include non-profit organizations, such as churches, neighborhood groups, and community development corporations. Other private sector entities that are major players in community development include utilities, universities, chambers of commerce, developers, and businesses located in areas undergoing revitalization efforts. Lastly, publicprivate partnerships can be used to leverage multiple sources of funding, thus resulting in more revitalization efforts than would have been available utilizing either public or private funds alone.

ROLE OF THE STATE IN PROVIDING COMMUNITY REVITALIZATION FINANCING

Traditionally, California's statefunded economic development efforts were
primarily focused on
the development and
maintenance of
infrastructure
systems, workforce

training and skill improve-

ment programs, export promotion and assistance, and technology deployment and commercialization. Recent initiatives have expanded this focus to include technology development and technical assistance for businesses. In addition, state agencies now provide grants, loans, and loan guarantees to municipalities and companies for community revitalization and business development or expansion.

Types of Community Revitalization Financing

Community revitalization programs can be grouped by the type of financing they provide, in addition to the sectors they seek to transform. Common types of financing include debt financing (such as through loans and conduit bonds), equity financing, loan guarantees, and tax credits.

DEBT FINANCING

Debt financing occurs through the lending of funds. This can be done either through direct lending or through the selling of conduit bonds.

Loan Financing

Direct lending allows a business to borrow money to fund a project or make a purchase, such as for business development or capital improvements. Under this type of financing, the lender requires that the borrower provide a pledge of its revenues or other collateral to ensure repayment.

Conduit Bond Financing

In a traditional bond financing, an issuer borrows money from investors and agrees, by written contract, to repay the amount borrowed plus an agreed upon rate of interest at a specified date (the maturity date). The amount borrowed is called the principal. The interest on

the bonds is simply referred to as the interest. Principal and interest together are known as debt service. In a conduit financing, the proceeds of the issue are loaned to a non-governmental borrower that then applies the proceeds for a project financing. Typically, the project is owned and operated by the borrower. Statutes authorizing conduit financings generally specify the nature of the projects which may be financed and limit such projects to those with specified public purposes. In a conduit financing, the bond's repayment is the responsibility of the business or developer that benefits from the financing, rather than the issuer, which collects the taxes, fees, or revenues and passes them on to the bondholders (or a trustee).

EQUITY FINANCING

In equity financing, the investor takes an ownership interest in a fund or project in exchange for a rate of return that depends on the profitability of the fund or project. Typically, this return is adjusted commensurate with the fund or project's asset class and risks. In this type of arrangement, the investor owns part of the fund or project in proportion to its investment allocation.

LOAN GUARANTEES

A loan guarantee involves the assumption of responsibility for payment of a debt or performance of some obligation if the liable party fails to perform to expectations. In traditional governmental loan guarantee programs, the guaranteeing entity will guarantee a loan made by a lender, such as a conduit financing authority or a commercial bank. Generally, these loan guarantees will provide the assurance of repayment of a percentage of the loan. A fee for this guarantee is usually required by the guaranteeing entity.

TAX CREDITS

A tax credit is a dollar-for-dollar reduction in a taxpayer's federal and/or state income tax liability. Provided the credit can be used, one dollar of tax credit reduces the taxpayer's tax liability by an equivalent dollar, saving the taxpayer that dollar. This is different from a tax deduction, which is an offset to a taxpayer's pretax income. A tax deduction reduces a taxpayer's income on which its tax liability is calculated. If the taxpayer's marginal tax rate is 35 percent, one dollar of tax deduction lowers the tax liability by 35 cents.

SELECT COMMUNITY

REVITALIZATION PROGRAMS IN CALIFORNIA

A. Program Matrix

The following matrix classifies select state community revitalization programs by type of financing and by subject area. Subject area classifications include: real estate development, education, health, business development, infrastructure, pollution control, and other types of programs. The "other" category is for programs that do not fit under the traditional community revitalization umbrella.

Type of financing (as described in the previous section) includes debt financing (such as loans and conduit bonds), equity financing, loan guarantees, and tax credits.

The matrix is intended to assist individuals to identify potential sources of community revitalization funding. For instance, someone seeking funding for a local community health clinic would see that there exists California Health Facilities Financing

Authority (CHFFA) loan and conduit bond programs, as well as an Office of Statewide Health Planning and Development (OSHPD) Cal-Mortgage loan guarantee program.

Following the matrix are descriptions of the various programs, arranged according to subject area. Readers will find brief descriptions of the programs, the required fees, the assistance terms offered, and the eligible activities and applicants. Contact information for those interested in pursuing the programs for use in their communities also are provided. In some cases, the descriptions include success stories on the uses of these programs. The preferred sources of these success stories were first-hand accounts directly from the applicants. When this was not possible, second-hand accounts from issuers were used.

SUBJECT AREA

TYPE OF FINANCING

	DEBT FINANCING			Loan	
	Loan Financing	Conduit Bond Financing	Equity Financing	Guarantees	Tax Credits
Real Estate Development	CPCFA California Recycle Underutilized Sites (Cal ReUSE) Loans (page 11)	CDLAC Tax-exempt Private Activity Bond Debt Limit Allocation (page 13)	CalPERS California Urban Real Estate (CURE) Investments (page 15) CalSTRS Urban Real Estate Investments (page 16) PMIA Community Reinvestment Act (CRA) Loan Purchases (page 16)		CTCAC Federal and State Low- income Housing Tax Credits (page 17)
Education		CEFA Standard and Pooled Tax-exempt Bonds (page 21) CEFA Tax-exempt Equipment Notes (page 24)			
Health	CHFFA HELP II Loans (page 25) CHFFA HealthCAP Loans (page 29)	CHFFA Standard and Pooled Tax-exempt Bonds (page 30) CHFFA Tax-exempt Equipment Notes (page 34)		Cal-Mortgage California Health Facility Construction Loan Insurance (page 35)	
Business Development	CPCFA California Capital Access Program (CalCAP) for Small Businesses (page 37)	CIDFAC Tax-exempt Industrial Development Bonds (page 38) CPA Energy Financing Industrial Development Bonds (page 42)	 CalPERS The California Initiative (page 43) CalSTRS Program for Urban and Rural Investing (page 45) 		
Infrastructure	CIEDB Infrastructure State Revolving Fund (ISRF) Loans (page 47)	CIEDB Conduit Revenue Bonds (page 50) CTC/Caltrans Grant Anticipation Revenue Vehicle (GARVEE) Bonds (page 56)			
Pollution Control		CPCFA Pollution Control Tax-exempt Bonds (page 59)			
Other			PMIA Time Deposits (page 63) PMIA Small Business Loan Purchases (page 63)		



1. California Pollution Control Financing Authority (CPCFA)

a. CALIFORNIA RECYCLE
UNDERUTILIZED SITES (CAL REUSE)
LOANS

Cal ReUSE assists borrowers with the reuse and redevelopment of underutilized properties with real or perceived contamination issues (brownfields). Cal ReUSE addresses a funding and information gap in the redevelopment of brownfields to help bring these properties into productive reuse.

ASSISTANCE TERMS

- Fixed interest rate equal to the average earnings rate of the state's Surplus
 Money Investment Fund for the calendar year prior to the date the loan is made (the 2002 rate is approximately 6%).
- Loan amount not greater than \$125,000.
- · Loan term not to exceed 36 months.
- Loan can be extended or totally forgiven in certain circumstances.

ELIGIBLE ACTIVITIES

Reasonable and necessary brownfields project costs:

- Site assessment and characterization,
- · Technical assistance,

- Planning for remediation of hazardous material, and
- Obtaining access to a privately-held property to conduct an assessment.

ELIGIBLE APPLICANTS

- Any non-profit organization, school district, or participating party as defined in California Health and Safety Code Section 44506.
- Any public agency as defined in California Health and Safety Code Section 44509.
- Applicants apply through Strategic
 Partners (entities chosen by CPCFA to
 receive and process applications, provide technical assistance, and disburses
 funds). As of 2002, this list consists of
 the Cities of Oakland, Emeryville, and
 San Diego, but the list could change in
 the future. These Strategic Partners may
 charge their own fees to applicants.

POINT OF CONTACT

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Success Story

MACARTHUR BART STATION TRANSIT VILLAGE PROJECT

The Redevelopment Agency of the City of Oakland (Redevelopment Agency), San Francisco Bay Area Rapid Transit (BART) District, Citizen's Planning

Committee, and Creative
Housing Associates are
working
jointly to create a
Transit Village at the
MacArthur BART Station,
in Oakland (Alameda

County). The majority of the project consists of what is now the MacArthur BART Station parking lot. The project proposal, currently in the planning phase, includes between 400 to 800 new housing units, neighborhood serving retail (including a grocery store), community facilities, a new pedestrian plaza, and expansion of an on-site medical center. To meet BART's requirement for replacement parking, the project includes construction of a parking structure. The project is being designed as a true intermodal facility that will provide improved access for shuttle

buses and Alameda-Contra Costa Transit District buses, bicycle parking, and welldesigned pedestrian connections to the surrounding neighborhoods.

This project is expected to intensify the use of BART's currently underutilized property in the station area by redeveloping the property and the surrounding parcels into a vibrant transit village. This village will provide high-quality residential living opportunities to a diverse population, create an attractive, pedestrian-friendly streetscape with active retail, and serve as a catalyst for further economic development in the area.

In the interim, the Redevelopment Agency is exploring project feasibility by initiating the environmental site assessment for the BART-owned property and the surrounding parcels, which are under private ownership. The study is being funded through a \$125,000 Cal ReUSE loan. Loan funds will be used to pay consultant fees for environmental site assessment and for payments to property owners for the purpose of gaining access to their properties for the purpose of environmental testing.

2. California Debt Limit Allocation Committee (CDLAC)

a. TAX-EXEMPT PRIVATE ACTIVITY
BOND DEBT LIMIT ALLOCATION

CDLAC administers the annual tax-exempt private activity bond debt limit allocation program for California.

The maximum issuance amount for calendar year 2002 is \$2.588 billion. The bonds issued are purchased by the private sector and are an obligation of the issuing entity (not the state or federal government). Agencies and organizations authorized to issue tax-exempt private activity bonds or mortgage credit certificates must receive an allocation from CDLAC.

FEES

- \$300 application fee to apply for an allocation.
- Additional fee upon use of an allocation equal to 0.035 percent of the allocation amount less \$300 application fee.

ELIGIBLE ACTIVITIES

There are six programs eligible for the issuance of tax-exempt private activity bonds:

 Multifamily Rental Housing: State and local agencies can issue tax-exempt housing revenue bonds to assist developers of multifamily rental housing units acquire land and construct new projects or purchase and rehabilitate existing units.

The tax-exempt bonds lower the interest rate paid by developers. These developers produce affordable rental housing for low- and very low-income households by reducing rental rates to these individuals and families.

 Single-Family Housing: State and local agencies can issue a tax-exempt mortgage revenue bonds (MRB) to fund mortgages for homebuyers. Homebuyers may purchase single-family homes, either freestanding detached homes or condominiums/townhouses. The taxexempt source of funds reduces the interest rate paid by purchasers by approximately one percent or more, depending upon current market conditions.

As an alternative to issuing an MRB, state and local agencies may issue a mortgage credit certificate (MCC) to individual homebuyers. A homebuyer can use a MCC to reduce his or her federal tax liability by applying the credit to the net tax due.

- Extra Credit Teacher Home Purchase
 Program: Local agencies can issue tax-exempt MRBs or MCCs to assist teachers
 and principals who are employed in
 low-performing schools purchase their
 homes. Teachers and principals must be
 willing to make a commitment to stay at
 the low-performing school for at least
 five years.
- Small-Issue Industrial Development
 Bonds: State and local agencies issue
 industrial development bonds (IDBs) to
 assist manufacturing companies create
 new jobs. An IDB issued for this purpose
 cannot exceed \$10 million per project.
 Thus, these bonds are called "SmallIssue" IDBs. The tax-exempt bonds
 allow manufacturing businesses located
 in California to borrow at a tax-exempt
 rate for up to 25 years.
- Exempt Facilities: State and local agencies issue exempt facilities bonds to assist local municipalities in meeting the requirements of Chapter 1095, Statutes of 1989 (AB 939, Scher) and to provide California businesses with financing to clean up the environment and provide alternative energy resources. The tax-exempt bonds allow California businesses to borrow at a tax-exempt rate for up to 25 years.

Student Loan Financing: Authorized agencies issue tax-exempt bonds to fund new loans or purchase existing portfolios of student loans originated by California colleges, universities, and trade schools. The tax-exempt bonds provide the source of funds to make the loans to students and to provide liquidity to agencies that originate and fund student loans. Currently, three agencies authorized to issue tax-exempt bonds operate in California.

ELIGIBLE APPLICANTS

Any state or local governmental agency, joint powers authority, special district, non-profit public benefit corporation that issues only student loan bonds, or other pubic agency that is empowered to issue debt may file an application. Private parties wishing to access the allocation must do so through one of these eligible applicants.

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3. California Public Employees' Retirement System (CalPERS)

a. CALIFORNIA URBAN REAL ESTATE (CURE) INVESTMENTS

The CURE strategy is focused on addressing both the housing shortage as well as a lack of general development in urban infill locations throughout California. The program began in 1995 with the approval of California Urban Investment Partners (CUIP) to invest \$50 million in California urban retail centers in predominately minority trade areas.

ASSISTANCE TERMS

- As of December 31, 2001, the CURE
 Program includes nine partners with a total of \$935 million allocated for California urban infill investment.
- This total excludes one potential partner who is in the contract negotiation phase with a total potential allocation of \$40 million. This allocation would bring the CURE Program to \$975 million.
- An additional \$1.2 billion has been allocated to the CalPERS housing program, with an additional \$150 million in either contract negotiation or due diligence.

- The equity structures and investment vehicles through which CURE projects invest include:
 - > Commingled funds,
 - > Direct equity mortgages,
 - > Equity joint ventures, and
 - > Convertible participating mortgages.

ELIGIBLE ACTIVITIES

- Residential, office, retail, entertainment, hotel, and mixed-use projects.
- Other projects that may not be defined specifically below, but that benefit certain economic groups or geographic areas and meet the risk/return objective, also may be considered. Such projects include:
 - > Low-income housing,
 - > Multi-family low-income housing,
 - > Economic development or redevelopment, and
 - > Urban infill and "smart growth" strategy.

POINT OF CONTACT

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4. California State Teachers' Retirement System (CalSTRS)

a. URBAN REAL ESTATE INVESTMENTS

The Urban Real Estate Program is designed to invest in real property in underserved markets, primarily in California.

ASSISTANCE TERMS

- As of December 31, 2001, this program had \$500 million to invest through partnerships and direct investments.
- The program intends to seek equity
 partners with experience in underserved
 markets and to provide capital to develop
 real property and to achieve equity
 returns.
- The equity structures and investment vehicles through which the Urban Real Estate Program invests include:
 - > Direct equity mortgages,
 - > Equity joint ventures, and
 - > Convertible participating mortgages.

ELIGIBLE ACTIVITIES

- Residential, office, retail, entertainment, hotel, and mixed-use projects.
- Other projects that may not be specifically defined, but that benefit certain economic groups or geographic areas and meet the risk/return objective, also

may be considered. Such projects include:

- > Low-income housing,
- > Multi-family low-income housing, and
- > Urban infill and "smart growth" strategy.

ELIGIBLE APPLICANTS

Private developers and real estate operators with an appropriate track record.

POINT OF CONTACT

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5. Pooled Money Investment Account (PMIA)

a. COMMUNITY REINVESTMENT ACT (CRA) LOAN PURCHASES

The PMIA, which contains the short-term investment funds of the State and more than 2,500 local agencies, held over \$45 billion as of July, 2002. A PMIA program was initiated in 1999 to purchase \$1 billion in CRA home loans made to low- and

moderate-income Californians or in lowand moderate-income neighborhoods. The CRA is intended to encourage depository institutions to help meet the credit needs of the communities in which they operate, including low- and moderate-income neighborhoods, consistent with safe and sound banking operations.

The purchase of CRA loans provides original lenders with new capital to make additional loans to low-and moderate-income home-owners and to stabilize lower-income neighborhoods through home ownership. At the same time, the purchase provides the State with returns that are competitive with the overall PMIA yield. All mortgage obligations purchased are insured as to the timely payment of principal and interest by either the Federal National Mortgage Association (FNMA or "Fannie Mae") or the Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac").

To date, \$966 million in CRA loans have been purchased by the PMIA and \$667 million remain outstanding.

Local government investment pools may want to consider replicating a program of this type with their own short-term funds.

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6. California Tax Credit Allocation Committee (CTCAC)

a. FEDERAL AND STATE LOW-INCOME HOUSING TAX CREDITS

CTCAC administers two low-income housing tax credit programs – a federal and a state program. Both programs were authorized to encourage private investment in rental housing for low- and lower-income families and individuals. In 2002, CTCAC approved a \$60.1 million federal and a \$105.6 million state low-income housing tax credit ceiling. The annual federal ceiling is \$1.75 per state resident plus a pro rata share of unused credits from other states. This amount is indexed for inflation. The state tax credit ceiling is \$50 million annually (in addition to any unused or returned tax credits from previous years).

Congress authorized the federal program in 1986 to replace traditional housing tax

incentives, such as accelerated depreciation. The tax credit program enables developers of affordable rental housing to raise project equity through the "sale" of tax benefits to investors. Each state legislature designates the "housing credit agency" to administer this program. Since 1987, CTCAC administers this program in California.

Recognizing the high cost of developing housing in California, the state legislature authorized a state lowincome housing tax credit program in

1987. Authorized by Chapter 1138, Statutes of 1987 (AB 53, Klehs), the state credit is only available to a project which has previously received, or is concurrently receiving, an allocation of federal tax credits. The state program does not stand alone, but supplements the federal tax credit program.

FEES

 Non-refundable application filing fee of \$2,000. An additional \$1,000 filing fee is

- required for applicants reapplying in the same calendar year for an essentially similar project on the same project site.
- Every applicant who receives a reservation of credit, except for tax-exempt bond applicants, pays an allocation fee of four percent of the dollar amount of the first year's federal credit amount reserved. Tax-exempt bond applicants pay a reservation fee equal to one percent of the annual federal credit amount reserved.
- Compliance monitoring fee of \$410 per unit to cover the costs associated with compliance monitoring throughout the extended-use period.

ASSISTANCE TERMS

- Tax credit is taken over a ten-year period although the Internal Revenue Service requires that the project remain in compliance for a minimum of 15 uears.
- Investors take the state tax credit over a four-year period.

ELIGIBLE ACTIVITIES

 Tax credits can be allocated to new construction projects or for the acquisition and rehabilitation of certain projects.



- Tax credits are based upon the cost basis of the projects, including hard and soft development costs.
- Land cannot be included in determining the amount of tax credits needed.
- Rental Restriction: rents on tax credit units cannot exceed 30 percent of an imputed income based on 1.5 persons per bedroom. The adjustment for family size made during the computation of the gross rent restriction is not based on the actual number of persons in the household. Instead, a designated number of persons is deemed to occupy a household based on the number of bedrooms in the unit. This is referred to as the "imputed income limitation."
- Income Restriction: A minimum of 40 percent of the units must both be rentrestricted and occupied by households whose incomes are 60 percent or less of the area median gross income or 20 percent of the units must be both rentrestricted and occupied by households whose incomes are 50 percent or less of the area median gross income.
- Long-term Affordability: Under the federal program, the tax credit projects must remain affordable for at least 15

years. Under the state program, the project must remain affordable for 55 uears.

ELIGIBLE APPLICANTS

Those utilizing tax credits must have an ownership interest in the project for which the credits are awarded.

POINT OF CONTACT

Jeanne Peterson, Executive Director

CTCAC

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BORROWERS WITH MORE MODEST FINANCING NEEDS ARE SOMETIMES GROUPED OR "POOLED" BY CEFA INTO A SINGLE BOND FINANCING, WHERE BOND ISSUANCE COSTS ARE SHARED BY PARTICIPANTS.



1. California Educational Facilities Authority (CEFA)

a. STANDARD AND POOLED TAX-EXEMPT BONDS

This program provides a borrower with access to low interest rate loan markets through the issuance of tax-exempt revenue bonds. Proceeds from the loan may be used by eligible borrowers to fund construction/renovation projects, acquisition, refinancing of existing debt, and costs of issuance. Given the cost of issuing bonds, this is the option usually pursued by borrowers with capital projects in excess of \$5 million.

Borrowers with more modest financing needs are sometimes grouped or "pooled" by CEFA into a single bond financing, where bond issuance costs are shared by participants.

FEES

- \$1,000 non-refundable application fee.
- Initial fee of 0.15 percent of the issue amount (up to a maximum of \$75,000) due and payable at closing.
- Annual administrative fee of \$500 for the first five years and \$250 thereafter, for the life of the bond.

Assistance Terms

- Loans from tax-exempt bonds.
- Financing must meet certain minimum requirements as set forth in CEFA's Bond Issuance Guidelines.

ELIGIBLE ACTIVITIES

- All projects and related costs to be financed must meet the definitions of "project" and "cost" as defined in CEFA's enabling statute [Section 94110(c) and (j) of the California Education Code].
- In general, CEFA financing may be used for the following project-related costs:
 - > Construction,
 - > Remodeling and renovation,
 - > Land acquisition (as part of the proposed project),
 - > Purchase/lease of equipment,
 - > Refinancing/refunding of prior debt, and
 - > Costs of bond issuance and reimbursement of prior expenses.

ELIGIBLE APPLICANTS

- Private, non-profit college, situated in California.
- College must be non-sectarian and cannot restrict entry on racial or religious grounds.

- College must be functional for at least three years prior to submitting an application and be able to provide three years of audited financial statements.
- College must be able to demonstrate the ability to repay the debt and must show revenue or collateral sufficient to cover the debt service.
- College must be accredited by the Western Association of Schools and Colleges or, in the case of law schools, by the Committee of Bar Examiners of the State Bar or the American Bar Association.

POINT OF CONTACT

Roberta Economidis, Executive Director

CEFA

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Success Story

University of the Pacific

The University of the Pacific (UOP), founded in 1851, is the oldest chartered university in California. UOP's main campus is in Stockton with additional campuses in San Francisco and Sacramento.

Programs offered include
those in the arts and
sciences in addition to
several professional
programs, including
pharmacy, business,
engineering, and educa-

tion. McGeorge School of Law, in Sacramento, enrolls approximately 1,000 students annually, while the School of Dentistry, in San Francisco, enrolls 450 students annually. Eighty percent of all students at UOP receive some form of financial aid, including scholarships and

loans funded by the University, private, state, and federal sources.

In 2002, UOP received \$24.5 million in CEFA Standard Tax-exempt Bond financing to acquire, construct, and equip certain academic facilities. Main campus improvements include: renovation and expansion of library facilities, the construction of a multi-purpose sports facility, the renovation and expansion of the Office of Information Services and Resources Building, the construction of a portion of a building that will house certain humanities departments, the construction of an addition to an existing building, and the construction and renovation of student residential facilities. The financing will also fund renovation and modernization of classrooms at the McGeorge School of Law.

b. TAX-EXEMPT EQUIPMENT NOTES

A borrower under the program may fund qualifying equipment purchases of \$500,000 or more. The maturity of the loan must be related to the useful life of the equipment to be financed. Notes issued through the program will be collateralized by the equipment that is purchased.

Funds may be used to purchase or reimburse all types of qualifying equipment by an eligible educational facility, including but not limited to heating and air conditioning systems, computers, and telecommunications equipment. Funds may also be used to finance minor equipment installation costs.

FEES

Low all-in program fees of between \$7,500 to \$17,500, based on financing amount.

ASSISTANCE TERMS

- Lease purchase financing.
- Tax-exempt interest rate competitively bid.
- · Standardized documents.
- Easy application process.

ELIGIBLE APPLICANTS

Private, non-profit college with same eligibility requirements as for CEFA Tax-exempt Bonds.

POINT OF CONTACT

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1. California Health Facilities Financing Authority (CHFFA)

a. HFIPILLOANS

The HELP II Loan Program provides low interest loans of up to \$400,000 in an efficient, timely, and cost-effective manner. Since the program's inception in 1988, CHFFA has loaned over \$27 million to over 120 small and rural health facilities. Applications are accepted on a monthly basis.

FEES

- \$50 non-refundable application fee.
- One time administrative fee of 1.25 percent of the loan amount.

ASSISTANCE TERMS

- · Direct loan.
- Three percent fixed interest rate.
- Loan amounts \$25,000 to \$400,000 (although can be used in conjunction with the HealthCAP Program for a total amount of \$1.4 million).
- Maximum loan-to-value ratio of 95 percent.
- Maximum loan term is 15 years (for loans of \$300,000 or less, the maximum loan term is ten years and for equipment loans, the maximum term is five years).

- Borrowers must contribute a minimum of five percent toward project costs.
- · Revenue pledge required.
- Fully amortized loans.
- No prepayment penalty.
- · Loans are funded within approximately 60 days from the application date.
- Standard covenants include annual audits, adequate hazard insurance, and a requirement to notify CHFFA of any significant changes in corporate existence prior to the occurrence

ELIGIBLE ACTIVITIES

Funds may be used to:

- · Purchase, construct, renovate, or remodel real property;
- Perform feasibility studies, site tests, and surveus associated with real property;
- · Pay permit fees, architectural fees, and other pre-construction costs;
- Purchase equipment and furnishings; and
- · Refinance existing debt when there is a significant interest rate savings (generally for existing loans with interest rates above ten percent) or a balloon payment due within 12 months.

ELIGIBLE APPLICANTS

- Must be a non-profit 501(c)(3) corporation or a public health facility.
- Must have been in existence for at least three years performing the same type of services.
- Must provide three years of audited financial statements.
- Must demonstrate fiscal soundness and the ability to meet the terms and conditions of the loan.
- Must show readiness to begin projects shortly after funding for construction and remodeling projects.
- Must provide for consumer savings and community benefit.

- Must be able to qualify as a "health facility" under CHFFA's enabling statute [Section 15432(d) of the Government Code].
- Must be licensed by the State of California.
- Annual gross revenues cannot exceed \$20 million.

POINT OF CONTACT

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CHFFA

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Success Story

HILL COUNTY COMMUNITY CLINIC

Hill County Community Clinic (HCCC), located in Round Mountain (Shasta County), was organized in 1982 as a non-profit corporation by a diverse group of community residents united in

their common concern over
the lack of health care in
their rural, mountainous, sparsely-populated area. The clinic
offered medical services
three days a week and was

housed in a commercial coach purchased with help from the James Irvine Foundation and refurbished by local residents who donated time and materials to finish the structure's interior when it first opened in February, 1985.

HCCC has received federal designation as a Rural Health Clinic on the basis of its location in a Health Professional Shortage Area, was accepted as a grantee of the California Rural Health Services Development Program, and was later designated as a Federally Qualified Health Center due to its service to a Medically Underserved Area. It also meets the federal criteria for "Frontier" designation due to its service area's low population density of five

people per square mile (the federal criteria is under seven people per square mile).

HCCC is the sole provider of health care of any kind in this mountainous, sparsely populated 900 square mile rural/frontier service area. An estimated 80 percent of the residents of this area rely upon this clinic as their primary source of medical, dental, and mental health services. The population served by HCCC is sociologically and economically diverse. In 2000, HCCC saw over 1,600 patients and had over 6,800 patient visits. Over 46 percent of the patients served had income below the poverty level and an additional 37 percent were between 100 percent and 200 percent of poverty, for a total of 83 percent under the 200 percent of poverty level. More than 33 percent were under 19 years old and nearly 7 percent were 65 or older.

HCCC concentrates on preventative care and building personal relationships with each of its patients. Executive Director Ray Hamby stated that "the key to our outreach efforts is preventative care, which seeks to break the cycle of neglected health." To this end, HCCC offers prenatal care, therapeutic nutritional counseling, child health and disability prevention assessment, and dental hygiene services, to name a few. In

addition, because of the clinic's ongoing commitment to populations with special needs, they see developmentally disabled and HIV positive patients from well beyond their service area. All clinic services are offered on the basis of need, and no one is turned away for lack of ability to pay.

HCCC has an outstanding original HELP I Program loan (this program no longer funds loans) which made possible the rebuilding of the facility after the devastating Fountain Fire in 1992, which burned down the clinic, 360 homes, numerous other structures, and over 65,000 acres of prime forest in its service area. In 2002, HCCC received a \$250,000 CHFFA HELP II loan and a \$250,000 CHFFA Cedillo-Alarcon Grant which, along with other state and internal funding sources, will be used for a badly needed expansion of its capacity to provide medical and emergency services to its patient base. The three-exam room medical clinic is too small and this new funding will

be used to add a seven-exam room medical wing, including a large X-ray equipped emergency suite and a large patient waiting area. The funds will also be used for equipment, a new well and septic system, site grading, and paving. The savings derived from using this low-interest loan will be used to provide health care services on a low- or no-cost basis to low-income uninsured patients eligible for the clinic's sliding scale program. The project began in the Spring of 2002 and is expected to be complete by the end of October 2002. Mr. Hamby stated that without state financing programs such as these, HCCC would not be around. "Our current expansion would not have been possible without CHFFA," he noted.

b. HEALTHCAP LOANS

CHFFA recognizes the difficulty small and rural health facilities have in obtaining adequate financing for their capital needs. CHFFA has partnered with NCB Development Corporation (NCBDC) to increase access to capital for these facilities. The program targets loans of \$400,000 to \$1 million with competitive rates and terms.

FEES

- \$250 non-refundable application fee.
- One-time loan origination fee ranging from 1.0 percent to 1.5 percent of the loan amount (for approved loans, the application fee will be applied to the loan origination fee).
- For approved loans, there is a document preparation fee of \$1,000.

ASSISTANCE TERMS

- Direct loan from NCBDC.
- Interest rate is fixed for the first five years and adjusts (tied to the five-year Treasury Bill plus a margin of approximately 3.5-4.0 percent) every five years thereafter.
- Loan amounts of \$250,000 to \$1 million (can be used in conjunction with the HELP II Loan Program for a total maximum loan amount of \$1.4 million).

- Real property loans have a maximum loan-to-value ratio of 90 percent (for applicants with a loan-to-value ratio in excess of 80 percent, the borrower will be required to make a deposit in a reserve account).
- · Revenue pledge required.
- Fully amortized loans.
- · No prepayment penalty.
- Loans are funded within approximately 60-90 days from the application date.
- Standard covenants include annual audits, adequate hazard insurance, and a requirement to notify CHFFA of any significant changes in corporate existence prior to the occurrence.

ELIGIBLE ACTIVITIES

Funds may be used to:

- Purchase, construct, renovate, or remodel real property;
- Perform feasibility studies, site tests, and surveys associated with real property;
- Pay permit fees, architectural fees, and other pre-construction costs;
- · Purchase equipment and furnishings;
- Reimburse eligible expenditures made within 90 days of the application date;

- Refinance existing loan with any of the following terms:
 - > Balloon payment due within 24 months,
 - > Current interest rate which is at least 3 percent higher than the rate offered by NCBDC, and
 - > Cash-out refinances of real property, with a minimum of \$200,000 cash-out (proceeds must be used for an eligible purpose).

ELIGIBLE APPLICANTS

- Must be a non-profit 501(c)(3) corporation or a public health facility.
- Must have been in existence for at least three years performing the same type of services.
- Must provide three years of audited financial statements.
- Must demonstrate fiscal soundness and the ability to meet the terms and conditions of the loan.
- Must show readiness to begin projects shortly after funding for construction and remodeling projects.
- Must provide for consumer savings and community benefit.
- Must be able to qualify as a "health

facility" under CHFFA's enabling statute [Section 15432(d) of the Government Code].

 Must be licensed by the State of California.

POINT OF CONTACT

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c. STANDARD AND POOLED TAX-EXEMPT BONDS

Financings are normally accomplished through the issuance of tax-exempt bonds, sold by CHFFA, for individual borrowers or for groups of borrowers. CHFFA is authorized to issue bonds statewide with no effect on the bonding capacity of any particular city, county, or political subdivision.

Given the cost of issuing bonds, the standard option is usually pursued by borrowers with capital projects in excess of \$5 million.

Borrowers with more modest financing needs are sometimes grouped or "pooled"

by CHFFA into a single bond financing, where bond issuance costs are shared by participants. This type of financing will generally allow a borrower to finance a loan for a minimum of \$500,000 for eligible projects.

FEES:

- \$500 non-refundable application fee.
- Initial fee of \$1,000 (private health facilities with gross revenues of \$2.5 million or greater pay 0.075 percent of aggregate amount of issue).
- Annual administration fee of the lesser of 0.02 percent of outstanding bonds or \$500 (private health facilities with gross revenues of \$2.5 million or greater pay 0.02 percent of outstanding bonds).
- \$500 fee for extending an approved resolution.

ASSISTANCE TERMS

- Loans funded by the issuance of tax-exempt bonds.
- Financing must meet certain minimum requirements as set forth in CHFFA's Bond Issuance Guidelines.

ELIGIBLE ACTIVITIES

- CHFFA's enabling legislation allows it to finance a number of types of healthcare projects.
- For example, funds may be used to construct or remodel facilities and finance the interest expense (capitalized interest) over the construction/renovation period.
- Funds may also be used to refinance debt, acquire a new facility, buy equipment, or in certain instances, finance working capital.

ELIGIBLE APPLICANTS

- Must be a non-profit 501(c)(3) corporation or authorized health facility (public health facilities also qualify for financing).
- Must be able to qualify as a "health facility" under CHFFA's enabling statute [Section 15432(d) of the Government Code].

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Success Story

STANDARD TAX-EXEMPT BONDS THE HELP GROUP

Since 1975, The Help Group has been dedicated to serving young people with special needs related to autism, Asperger's Syndrome, learning disabilities,

emotional development,
mental retardation,
abuse, and neglect.
The Help Group's wide
range of innovative
special education and
clinical programs are

inspired by its belief that dignity, hope, opportunity, and love are the birthrights of all children.

One of the largest and most comprehensive non-profit organizations of its kind, The Help Group has touched the lives of over 5,000 young people and their families with over 500 staff members and four major campuses in the Los Angeles area, comprising state-of-the-art educational and therapeutic facilities.

Each year, the demand for its programs continues to grow dramatically. For a number of years, The Help Group had received numerous requests to open a facility that would provide its programs to the children and families who reside

in southern Los Angeles County. With a commitment to broaden the reach of its programs, The Help Group initiated an extensive search for a site in this area. In July of 1999, the Board of Directors authorized the purchase of a 4.5-acre property with 125,000 square feet of facilities consisting of the former Washington Hospital Medical Center and adjacent parcels to accommodate this program's expansion.

In March of 2000, The Help Group sought approval for the issuance of tax-exempt bonds through CHFFA in the amount of \$17,620,000, insured through the Cal-Mortgage Loan Insurance Program, in order to refinance its existing short-term real estate notes and to fund building rehabilitation.

The issuance of these bonds was approved and the project was completed in June 2001. The complex opened in July 2001 and includes two major special education campuses and a child and family mental health counseling center. Through the collaboration of the State of California and The Help Group, thousands of children with special needs will be able to look forward to fulfilling their potential to lead positive, productive, and rewarding lives.

POOLED TAX-EXEMPT BONDS ALTA MED

One successful pooled financing, entitled the 1985B Pooled Loan Program, was issued in 1985 at a variable rate for a 25 year term. There have been 60-70 loans made from this revolving pool ranging from \$300,000 to \$7 million in size. Due to U.S. Treasury regulations, principal loan repayments from governmental borrowers must be used to redeem bonds and cannot be recycled. Thus, only \$25 million in funds remain in the pool. Earnings on the debt service reserve and other funds on hand earn 153 basis points higher than the bond rate. These earnings are used to offset interest and other costs. In some months, these earnings are sufficient to cover all interest costs. These bonds are also insured by the Financial Guarantee Insurance Company (FGIC), which requires all borrowers to obtain a backup standby letter of credit before they approve any new loans.

One example of a very worthwhile borrowing is the case of Alta Med Health Services Corporation, one of the largest multi-site minority clinics in Los Angeles, which focuses on the area's underserved population.

Alta Med, located in East Los Angeles, is accessed by over 40,000 clients a year (on a sliding fee scale basis) and has 500 employees on staff. Some of the services that Alta Med provides include:

- Traditional and family practice;
- Pediatrics, family planning, and prenatal care;
- · HIV treatment program;
- · Drug treatment program;
- Teen program; and
- · Adult Day Health Care Centers.

Alta Med has accessed the 1985B Pooled
Loan Program twice and both times
concluded that the low interest rate of
2.5-3 percent was better than any private
funding that was available and that bank
loans would have required Alta Med to post
collateral. Alta Med's first loan of \$2.3
million was used to purchase and renovate
a building into a state-of-the-art facility.
The second loan, in the amount of \$1.2
million, renovated and equipped an
existing Alta Med facility. This program
has allowed Alta Med to provide more
services to East Los Angeles' lower-income,
under- and uninsured communities.

d. TAX-EXEMPT EQUIPMENT NOTES

CHFFA has established this program to provide health facilities with access to tax-exempt fixed-rate financing for their equipment purchases.

A borrower under the program may fund qualifying equipment purchases of \$500,000 or more. The maturity of the loan must be related to the useful life of the equipment to be financed. Notes issued through the program would be collateralized by the equipment that is purchased.

FEES

- \$500 non-refundable application fee.
- Initial fee for each completed financing of 0.05 percent of the issue amount.
- Annual administrative fee of \$400 as long as there is an outstanding balance.
- There may be a charge for administrative costs for applications that are not approved.

ASSISTANCE TERMS

- Loans funded by tax-exempt notes.
- There are three types of financings available:
 - Competitive Equipment Program CHFFA would competitively bid

- the placement of the note and the setting of the interest rate;
- > Generic Equipment Program Applicant has identified financing for the equipment purchase, requests CHFFA to act as issuer of the tax-exempt notes; and
- G.E. Capital Equipment Program –
 Applicant would negotiate with
 G.E. Capital on the interest rate,
 subject to approval by CHFFA.

ELIGIBLE ACTIVITIES

- Funds may be used to purchase or reimburse all types of qualifying equipment by an eligible health facility, including, but not limited to, medical and diagnostic equipment, computers, and telecommunications equipment.
- Funds may also be used to finance minor equipment installation costs.

ELIGIBLE APPLICANTS

- Must be a non-profit 501(c)(3) corporation or authorized health facility (public health facility also qualify for financing).
- Must be able to qualify as a "health facility" under CHFFA's enabling statute [Section 15432(d) of the Government Code].

POINT OF CONTACT

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2. Office of Statewide Health Planning and Development (OSHPD)

Cal-Mortgage Loan Insurance Division (Cal-Mortgage)

a. CALIFORNIA HEALTH FACILITY
CONSTRUCTION LOAN INSURANCE

The Cal-Mortgage California Health Facility Construction Loan Insurance Program is modeled after federal home mortgage programs and enables non-profit health-care facilities to obtain private financing to develop or expand their services in communities throughout California. The program's mission is to improve access to needed health care services, without a cost to taxpayers.

Under the program, qualifying non-profit health care facilities can borrow funds for capital needs from long-term lenders with

Cal-Mortgage Loan Insurance. The guarantee provides borrowers with greater access to the financial market at lower tax-exempt bond interest rates.

Loan insurance is available to non-rated and below-investment-grade health care facilities that demonstrate community need.

FEES

- One-time, non-refundable, application fee of \$500.
- Certification and inspection fee of four tenths of one percent (0.4 percent) of the amount insured.
- One-time insurance premium of up to three percent of total principal and interest (premiums may be reduced for projects with a credit rating from Moody's, Standard & Poor's, or Fitch).

ELIGIBLE ACTIVITIES

- Loans may be insured to finance the construction of new facilities, the acquisition of existing buildings, or facility expansion, modernization, and renovation.
- Loan guarantees are available for the financing of fixed or moveable equipment needed to operate the facility.

ELIGIBLE APPLICANTS

Some examples of health facilities eligible for Cal-Mortgage Loan Insurance include:

- · General acute care hospitals,
- · Clinics,
- · Laboratories,
- · Mental health centers,
- · Nursing homes,
- · Adult day health centers,
- · Rehabilitation facilities,
- · Intermediate care facilities,
- Facilities for the developmentally disabled,
- · Group homes,
- Facilities for the treatment of chemical dependency,
- Accredited non-profit work activity programs, and
- Offices and central service facilities operated in connection with licensed health care facilities.

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SUCCESS STORY

See CHFFA Standard Tax-exempt Bond example on page 32.



1. California Pollution Control Financing Authority (CPCFA)

a. CALIFORNIA CAPITAL ACCESS
PROGRAM (CALCAP) FOR SMALL
BUSINESSES

CalCAP is a state-sponsored small business loan program that provides an important source of capital for small businesses that may otherwise have difficulty in obtaining financing.

CalCAP provides incentives for a lender to make small business loans by establishing a loss reserve account as a form of loan portfolio insurance. The loss reserve account provides up to 100 percent coverage to the lender.

FEES

 The borrower and lender each pay a 2-3.5 percent fee (the lender determines the exact amount) to the CalCAP loss reserve account to enroll a loan.

ASSISTANCE TERMS

- A lender can enroll all or a portion of a term loan or line of credit into CalCAP.
- The maximum loan amount is \$2.5 million.
- Loans can be short- or long-term, have fixed or variable rates, be secured or unsecured, and bear any type of amortization schedule.

- The borrower works directly with a CalCAP lender to obtain a loan.
- The CalCAP lender approves loans directly without burdensome governmental approval of the loan-making process.
- CPCFA provides a 100 percent match of the combined borrower and lender loss reserve account contributions.

Special Benefits for Severely Affected Communities:

CPCFA increases its deposit to CalCAP loss reserve accounts by 50 percent for loans made to small businesses in severely affected communities, such as State Enterprise Zones.

ELIGIBLE ACTIVITIES

- Loans can be used to finance the acquisition of land, the construction or renovation of buildings, the purchase of equipment, working capital, and other capital projects. There are limitations on real estate loans and loan refinancing.
- Examples of ineligible uses of loan
 proceeds include any type of luxury
 facility, such as a golf course or country
 club, racetrack, airplane, or gambling
 facility or any business whose principal
 business is the sale of alcoholic beverages
 consumed off site, the sale of firearms,
 or the sale of tobacco products.

ELIGIBLE APPLICANTS

- Most small businesses, with few exclusions, qualify for CalCAP.
- A typical definition of a small business is one with 500 or fewer employees.
- The small business must have its primary location in California.
- The small business activity resulting from the loan must be primarily

created and retained in California.



CPCFA - CalCAP

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2. California Industrial Development Financing Advisory Commission (CIDFAC)

a. TAX-EXEMPT INDUSTRIAL DEVELOPMENT BONDS

CIDFAC Industrial Development Bonds (IDBs) assist California manufacturing

businesses in funding capital expenditures for acquisitions or expansions. IDBs allow a business to borrow funds at competitive rates through the issuance of tax-exempt bonds enhanced by a letter of credit or as a private placement for small issues.

Subcategories of this program include:

- Empowerment Zone Bonds: Developed by the federal government to assist distressed communities. Unlike traditional IDBs, not limited to a maximum \$10 million par amount.
 Borrowers not limited to manufacturers;
- Equipment Only Purchase Program:
 Streamlined process, usually for par amounts between \$1 million to \$2 million in size, although can be for projects as small as \$250,000-\$300,000. Utilizes a private placement program;
- The Small Business Program:
 Streamlined small business "one-stop-shop" issuance process. CDLAC allocation and CIDFAC approval are received simultaneously; and
- Energy Financing Program (see California Power and Conservation Financing Authority, page 42).

FEES

- \$1,250 non-refundable application fee.
- General fee of 0.25 percent of the total amount of the bond issued.

ASSISTANCE TERMS

- 95 percent of proceeds must be used for the defined IDB project.
- A public hearing (TEFRA) must be held before the bonds are issued.
- To acquire a used building, a minimum of 15 percent of the bond proceeds must be used to renovate the facility.
- The weighted life of the bond issue cannot exceed 120 percent of the weighted average of the estimated useful life of the assets being financed.
- Maximum bond term is 40 years.
- Maximum par value of \$10 million.
- Total outstanding IDBs by any one company cannot exceed \$40 million nationwide.

ELIGIBLE ACTIVITIES

- Industrial projects include manufacturing and processing.
- Bond proceeds can be used to acquire:
 - > Land (up to 25 percent of the proceeds);
 - > Buildings and equipment;
 - > Machinery and furnishings;
 - > Landscaping;
 - Costs of architects, engineers, attorneys, and permits; and
 - Costs of bond issuance (up to two percent).

ELIGIBLE APPLICANTS

- CIDFAC approves the issuance of IDBs as a partner with local governments.
- The local government can be a city, county, economic redevelopment agency, or a joint powers authority.
- The local governmental entity is the issuer of the IDBs and CIDFAC is the approval agency.
- Local governments who do not wish to participate in the CIDFAC issuance process can contact the California Infrastructure and Economic Development Bank Conduit Revenue Bond Program (see page 50).

POINT OF CONTACT

Joanie Jones-Kelly, Executive Director

CIDFAC

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Success Stories

THE SARICH FAMILY LIVING TRUST/AMERICAN MODULAR SYSTEMS, INC.

The Sarich Family Living Trust/ American Modular Systems, Inc. (American) is a family owned business incorporated in Nevada in 1973 and reincorporated in California in 1992. American manufactures modular classrooms for public school districts throughout the State of California.

The facility is located in the City of Manteca, in San Joaquin County. Manteca is a "distressed community" as defined by CDLAC procedures. Its unemployment rate was 7.0 percent at the time of the financing, which was 35 percent greater than the statewide average of 5.2 percent. Manteca's poverty rate was 13.25 percent or 2.7 percent higher than the state's average rate of 12.9 percent. American is an active participant in the County's Welfare to Work and Onthe-Job Training Programs.

With capital provided by a CIDFAC IDB financing, issued in 2001 for \$5 million, American was able to construct a 6,000 square foot corporate administration building and a 175,000 square foot facility to manufacture modular classrooms. The project will enable school districts

to accommodate an increased student population and to accommodate an increased number of classrooms due to class size reduction.

At the time of the financing, American had a staff of 90. It is expected that this financing will result in the hiring of an additional 115 people within two years. These new jobs will include a variety of management, technical, and non-technical positions.

P&C POULTRY

P&C Poultry (P&C), incorporated since 1992, is a family-owned business that processes and distributes poultry to wholesale companies. Products consist of marinated, non-marinated, diced or cut, and vacuum-packed poultry pieces.

P&C's main operations are housed in a leased, 5,000 square foot facility located in the wholesale food district of Los Angeles. Because of some constraints, the company was forced to concentrate on the distribution side of business. With 17 employees operating out of several nearby locations, P&C's growth was limited because it could not compete with other processing facilities.

With the capital provided by a CIDFAC IDB, issued in 1998 for \$2.5 million and a subordinate loan of \$325,000, P&C was able to purchase 1.5 acres of vacant land and construct a new facility to house a 27,000 square foot state-of-the-art food processing center.

The new, larger site operates at an increased energy efficiency and results in a higher volume output than the previous site. The new site is located in the Eastside Enterprise Zone of Los Angeles, an area that suffers from high levels of poverty, unemployment, and disinvestment.

The company now operates two shifts and increased production from 400,000 pounds

of poultry a week to over one million pounds and doubled revenue in just the first year alone.

Michael Bennish, CEO of P&C, states, "the growth has definitely exceeded my expectations. The IDB was an instrument for me to take it (the company) to the next level. It was the one little tool we needed to go further."

The company had already exceeded its hiring goals of new employees within two years of the bond issuance. The number of employees increased from 17 to 241.

3. Consumer Power and Conservation Financing Authority (California Power Authority or "CPA")

a. ENERGY FINANCING INDUSTRIAL DEVELOPMENT BONDS

The purpose of the Energy Financing Industrial Development Bonds (IDBs) is to:

- Encourage the efficient use of California's energy resources;
- Contribute to manageable energy costs for manufacturing activities in the State; and
- Support the manufacture and installation of renewable energy technologies and systems.

Through the issuance of IDBs on behalf of qualified private manufacturers, CPA seeks to reduce the impact on the environment from energy use, encourage increased and successful investment in California's manufacturing sector, and to contribute to a healthy local economy.

FEES

- Non-refundable application fee of \$1,250.
- Issuance fee of 0.50 percent of the par amount of the bond.

ASSISTANCE TERMS

- \$30 million currently available.
- Below-market rates.
- Bond amounts of between \$500,000 and \$10 million.
- The total outstanding amount of IDBs by any one company and its affiliates nationwide may not exceed \$40 million.
- For transactions falling below an "A-" rating, CPA would require that the debt be sold only to qualified institutional buyers.

ELIGIBLE ACTIVITIES

- At least 95 percent of the bond proceeds must be used for qualified costs of the defined project.
- At least 75 percent of the assets purchased or constructed with bond proceeds must be for actual manufacturing/production/energy improvements.
- No more than 25 percent of the bond proceeds may be used for the purchase of land.
- No more than two percent of the bond proceeds may be used to pay costs of issuance.
- If bond proceeds are used to acquire an existing building, the building must be rehabilitated within two years.

ELIGIBLE APPLICANTS

- Borrower must be a manufacturer or processor, which involves the production of tangible personal property or value added processing.
- Borrowers must fall into one of two categories:
 - > General manufacturing companies that will use the proceeds for the purchase and installation of renewable energy systems, energy-efficient equipment, or clean distributed generation systems; or
 - Companies engaged in the manufacture of renewable energy components or systems, or clean distributed generation systems or components.

POINT OF CONTACT

Sharon Hawkins, Deputy Director, Communications

California Power and Conservation Financing Authority

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Sacramento, CA 95814

4. California Public Employees' Retirement System (CalPERS)

a. THE CALIFORNIA INITIATIVE

The California Initiative is designed to deploy equity capital in traditionally underserved markets, primarily, but not exclusively, located in California. The objective is to discover and invest in opportunities that may have been bypassed or not reviewed by other sources of investment capital. This program provides CalPERS with competitive risk-adjusted rates of return while still promoting growth and development of the targeted areas.

PROGRAM STRUCTURE

In May 2001, the CalPERS Investment Committee approved a commitment of \$475 million to eleven investment firms targeting the following stages of private equity capital:

- · Seed and early stage capital,
- Later stage venture capital,
- Growth/expansion stage capital,
- Middle market buyouts, and
- Corporate partnerships to relocate or expand operations in under served areas.

TARGETED OPPORTUNITIES

- Underserved markets include urban and rural areas where underutilized and untapped assets and resources exist that may be leveraged for the formation of new business activity.
- Underserved markets also include companies that provide goods and services to traditionally overlooked consumer groups.



POINTS OF CONTACT

JonCarlo Mark, Portfolio Manager

CalPERS

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E-mail Address: joncarlo_mark@calpers.ca.gov Street Address: Lincoln Plaza, 400 P Street

Sacramento, CA 95814

AND

Fund Managers:

- Yucaipa Corporate Initiatives Fund, LP (Corporate relationships and joint ventures), Ed Renwick (310) 228-3500
- Green Equity Partners California Opportunity Fund, LP (Consumer services, middle market), Peter Nolan (310) 954-0450
- Draper Fisher Jurvetson Outpost, LP (Venture capital for Sacramento, Central Valley, North Bay, and East Bay), Tim Draper (650) 599-9000
- Nogales Investors Fund, LP (Consumer-related businesses – retail, media, and distribution), Luis Nogales (310) 276-7439
- Opportunity Capital Partners Fund IV, LP (Middle-market multistage – technology, manufacturing, and media throughout California), Peter Thompson (510) 795-7000
- Provender Opportunities Capital Fund, LP
 (Middle-market multistage financial services, technology, and media), Frederick Terrell
 (212) 271-8878
- Bank of America California Community Venture Fund, LLC (Fund-of-funds for partnerships targeting underserved markets primarily in California), Sanjiv Shah (312) 828-6378
- American River Ventures Fund, LP (Venture capital for Sacramento, Central Valley, East Bay, and North Bay areas), Corley Phillips (916) 780-2828
- Garage California Entrepreneurs' Fund, LP (Seed capital), Guy Kawasaki (650) 470-0950
- Silicon Valley Community Ventures Fund II, LLC (Small enterprises in low- to moderate-income areas of Northern California), Penelope Douglas (415) 863-4241

5. California State Teachers' Retirement System (CalSTRS)

a. PROGRAM FOR URBAN AND RURAL INVESTING

Similar to the CalPERS California Initiative Program. This program builds on the research and development of the CalPERS program. CalSTRS staff currently is reviewing the universe of CalPERS fund managers for selection.

ASSISTANCE TERMS

- In February 2002, the CalSTRS
 Investment Committee voted to provide \$350 million for this program.
- CalSTRS will be using "fund-of-funds"
 managers to make ongoing investments
 in funds that invest in private companies
 addressing underserved urban and rural
 markets. A fund-of-funds is a fund that
 invests in other funds.

ELIGIBLE ACTIVITIES

Private equity managers serving urban and rural markets, and new and emerging managers in the alternative investments industry.

ELIGIBLE APPLICANTS

Private equity firms investing in companies involved in underserved markets in various stages of the growth cycle:

- · Seed capital,
- Venture capital,
- · Middle market companies,
- Growth/expansion stage investment, and
- Corporate partnerships to relocate or expand operations.

POINT OF CONTACT

Richard Rose, Principal Investment Officer

CalSTRS

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THE INFRASTRUCTURE STATE REVOLVING FUND PROVIDES LOW-COST FINANCING TO PUBLIC AGENCIES FOR A WIDE VARIETY OF INFRASTRUCTURE PROJECTS.



1. California Technology, Trade and Commerce Agency

California Infrastructure and Economic Development Bank (CIEDB)

 a. INFRASTRUCTURE STATE REVOLVING FUND (ISRF) LOANS

The ISRF provides low-cost financing to public agencies for a wide variety of infrastructure projects.

ASSISTANCE TERMS

- Direct loans.
- Loan amounts from \$250,000 to \$10
 million. Loans for educational facilities,
 environmental mitigation measures, and
 parks and recreational facilities are
 available in amounts ranging from
 \$250,000 to \$2 million. Under certain
 conditions, educational facilities are
 eligible for up to \$5 million in financing.
- Terms of up to 30 years.
- Interest rates are set on a monthly basis and are equal to 67 percent of Thomson's Municipal Market Index for "A" rated security.
- Eligible repayment sources:
 - > General Fund revenues,
 - > Enterprise fund revenues,

- > Tax increment revenues,
- > Assessment revenues, and
- > Other recurring revenues acceptable to the CIEDB.

ELIGIBLE ACTIVITIES

Public infrastructure including:

- · City streets;
- · County and state highways;
- Drainage, water supply, and flood control;
- Educational facilities;
- · Environmental mitigation measures;
- Parks and recreational facilities:
- · Port facilities;
- · Power and communication;
- · Public transit;
- Sewage collection and treatment;
- Solid waste collection and disposal;
- Water treatment and distribution;
- · Defense conversion:
- · Public safety facilities; and
- State highways.

ELIGIBLE APPLICANTS

Any subdivision of a local government, including:

- · Cities,
- · Counties,

- · Redevelopment agencies,
- · Special districts, and
- Joint powers authorities.

POINT OF CONTACT

Roma Cristia-Plant, Manager Municipal Finance Programs

CIEDB

Phone Number: (916) 324-8942 Web Site: www.commerce.ca.gov/ state/ttca/ttca_homepage.jsp

E-mail Address: rcristia@commerce.ca.gov Street Address: 1102 Q Street, Suite 6000

Sacramento, CA 95814

Success Story

THE STOCKTON PORT DISTRICT

The Stockton Port District (Port)
borrowed \$10 million in
January 2002 to finance
the Rough & Ready
Island/West Complex
Infrastructure Project.
The Port will upgrade the

former military base into a

working maritime and commercial facility. The Port anticipates that at least 300 new jobs will be created within three years of construction completion. The financing is being repaid with Port Enterprise Funds.

b. CONDUIT REVENUE BONDS

Industrial Development Bonds (IDBs)

IDBs allow manufacturers and processors to finance acquisition and expansion projects at very low interest rates through tax-exempt bond issuance. IDBs issued through the CIEDB offer flexible financing terms and low administrative costs.

FEES

- Application fee of \$1,500.
- Issuance fee is 0.25 percent of the amount financed.
- Administrative fee of \$500 per year, until the bonds are redeemed.

ASSISTANCE TERMS

- Low interest rate.
- Typical maturity of 15-30 years, however, the weighted average life of the bond cannot exceed 120 percent of the estimated useful life of the assets to be financed.
- No prepayment penalty.
- The maximum amount of a tax-exempt IDB is \$10 million per applicant per jurisdiction.
- The total outstanding amount of IDBs by any one company nationwide may not exceed \$40 million.
- A letter of credit from a bank with a minimum long-term rating of "A" is necessary to market the bonds.

- The project should result in the creation of jobs that otherwise would be lost. One job should be created/retained within two years of project completion for everu \$50,000 in bond financing.
- 95 percent of the bond proceeds must be used for the defined project.
- 75 percent of the assets purchased with bond proceeds must be for actual manufacturing/processing.
- Up to 25 percent of the bond proceeds can be used for land purchases.
- Up to 2 percent of the bond proceeds can be used for costs of issuance.
- If the bond proceeds are used to acquire an existing building, the building must be rehabilitated within two years, by an amount equal to at least 15 percent of the portion of the building financed with bonds.

ELIGIBLE APPLICANTS

Manufacturers or processors only.

POINT OF CONTACT

Jeffrey Emanuels, Manager, Conduit Financing

CIEDB

Phone Number: (916) 324-1299

Web Site: www.commerce.ca.gov/ttca/ttca_home

page.jsp

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Success Story

CHATSWORTH PRODUCTS, INC.

As a producer of metal and injection-

molded products, Chatsworth

Products, Inc. (CPI) (a 100 percent employeeowned company), is a leading global manufacturer of computer storage solutions for the telecommunications industry.

CPI received an almost \$7 million
CIEDB IDB to support the construction of an

approximately 70,000 square foot manufacturing plant in Redding, which is located in one of California's 39 Enterprise Zones. Financing also was used to acquire and install new manufacturing equipment at the site. This expansion allows CPI to accommodate heightened product demand by servicing its growing market in the Northwestern United States. This financing, completed in 2001, brought 180 new jobs to the area.

501(c)(3) Revenue Bonds

Tax-exempt revenue bond financing is available to nonprofit corporations that have received a determination letter from the Internal Revenue Service that then qualify as organizations as defined under Section 501(c)(3) of the Internal Revenue Code.

FEES

Issuance fee is calculated on a graduated basis, based upon the amount of the financing. Maximum fee amount is \$75,000.

ASSISTANCE TERMS

- Must be a qualified nonprofit corporation.
- Project must be located in California.
- · Provides defined public benefit.
- Project must be consistent with any existing local or regional comprehensive plan.
- Low interest rates.
- · Long-term financing.
- Allows borrower to retain endowments and accumulated funds.

ELIGIBLE ACTIVITIES

Bond proceeds may be used for the following purposes:

Capital expenditures;

- Refinancing prior debt (under certain conditions);
- Reimbursing prior expenditures (under certain conditions);
- · Working capital; and
- Costs of issuance, capitalized interest, and debt reserve funds.

ELIGIBLE APPLICANTS

- Nonprofit corporation organized pursuant to Internal Revenue Code Section 501(c)(3) are generally operated for the following purposes: religious, charitable, scientific, educational, health, housing, and the prevention of cruelty to children and animals.
- CIEDB normally does not finance projects
 which qualify for bond financing through
 established statewide financing authorities such as the California Educational
 Financing Authority (page 21) or the
 California Health Facilities Financing
 Authority (page 25). Additionally, CIEDB
 is prohibited by statute from financing
 housing projects.

POINT OF CONTACT

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Success Story

AMERICAN CENTER FOR FOOD, WINE AND THE ARTS

The American Center for Food,
Wine and the Arts (Center)
in Napa will be a cultural
institution, museum,
and educational
organization dedicated
to exploring the diverse

nature of wine, food, and the arts, and celebrating these as a unique expression of the vitality of American life, culture, and heritage. CIEDB provided \$70 million in 501(c)(3) bond financing to facilitate construction of the Center that is envisioned to be a 75,000 square foot, two-story facility located on 12 acres. The Center will include a main pavilion that will overlook the Napa River, two major exhibition galleries, a 280-seat indoor theater, a wine center, restaurant, and food market, and a museum store. In addition, there will be a seasonal kitchen constructed in the 3.5 acres of gardens and a 500-seat outdoor amphitheater.

Exempt Facilities

Exempt facility bonds are a category of bonds created by special provisions of the Internal Revenue Code which allow private, for-profit companies to utilize the proceeds of tax-exempt bonds to finance limited types of projects.

ASSISTANCE TERMS

Similar to the provisions for 501(c)(3) Revenue Bonds.

ELIGIBLE ACTIVITIES

- Privately used or leased facilities at airports and ports, provided they are owned by a governmental agency.
- Other categories exist, but have numerous limitations and conditions.

ELIGIBLE APPLICANTS

Narrowly defined list of eligible applicants.

Call CIEDB for clarification.

POINT OF CONTACT

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page.jsp

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Sacramento, CA 95814

Success Story

MERCURY AIR GROUP, INC.

Mercury Air Group, Inc. (Mercury Air)
received Airport Exempt Facility

Revenue bond financing for a project in 1998.

Mercury Air provides a broad range of services to the aviation industry through four principal operating units: fuel sales and services, cargo operations,

fixed base operations, and government contract services. Bond proceeds were utilized to finance two separate expansion

projects. Mercury Air's facility located at the Burbank-Glendale-Pasadena airport received funds to renovate their office, shop, and maintenance space in order to provide enhanced fixed base and ground support services to the general aviation industry. Mercury Air concurrently expanded their air cargo operations at Los Angeles International Airport. Bond proceeds were used to demolish an abandoned Delta Airlines hangar and construct the largest cargo warehouse at the second busiest cargo airport in the world.

California Transportation Commission (CTC)/ Department of Transportation (Caltrans)

a. GRANT ANTICIPATION REVENUE VEHICLE (GARVEE) BONDS

State law authorizes the State Treasurer's Office to issue GARVEE bonds and authorizes the CTC to select and designate projects to be funded for accelerated construction from bond proceeds. Caltrans administers the program and proposes projects through the State Transportation Improvement Program (STIP). The total of all annual bond repayments may not exceed 30 percent of annual federal transportation funds deposited in the State Highway Account.

Pending state legislation in the 2001-2002 legislative session (AB 3026) would provide for an expanded definition of project eligibility to include Toll Bridge Seismic Retrofit, Traffic Congestion Relief, and State Highway Operation and Protection projects. The intent of the legislation is to accelerate the funding and construction of critical transportation infrastructure projects in order to provide congestion relief benefits to the public significantly sooner than traditional funding mechanisms.

ASSISTANCE TERMS

- Bonds have a 30-year maximum term.
- Funds will be disbursed on a reimbursement basis; however, an initial advance deposit may be made at the discretion of the CTC.
- For eligible STIP regional improvement projects, allocations will be counted against county shares except that it will be counted for the amount of the debt service by fiscal year rather than for the allocation of bond proceeds. This charge is spread out over a period of years normally well beyond the current STIP period. AB 3026 would provide that interregional improvement program allocations will be counted against interregional improvement program shares.

ELIGIBLE ACTIVITIES

- The federally funded portion of any highway or other transportation project that has been designated for accelerated construction by the CTC is eligible for GARVEE financing. The project also must have environmental clearance, completed project design, and federal approval for the use of advance construction.
- Right of way and construction costs.

- Funding considerations include:
 - Additional public benefits resulting from early construction exceed financing costs,
 - > Other funding mechanisms are not available, and
 - > Anticipated useful life of the project exceeds life of bonds.

ELIGIBLE APPLICANTS

- Applicants must be a transportation
 planning agency or a county transportation commission that is the approving
 authority for the county's submission
 of projects to the STIP; AB 3026 would
 allow Caltrans to finance eligible
 projects outside of the STIP regional
 improvement program.
- Other local entities, such as city or county governments or local transportation authorities, must apply jointly with their regional transportation planning agency or county transportation commission.

POINT OF CONTACT

Barbara Lewis, Manager, Office of Alternative Financing

Caltrans

Phone Number: (916) 324-7623

Web Site: www.dot.ca.gov/hq/innovfinance/

garveebond.htm

E-mail Address: barbara_lewis@dot.ca.gov

Street Address: 1050 20th Street

Sacramento, CA 95814

Success Story

I-15 MANAGED LANES PROJECT

The GARVEE Program has not been used to advance any transportation projects in California to date. However, on April 4, 2002, the CTC approved the proposed 2002 STIP, which includes the I-15

Managed Lanes Project in
San Diego. The project
is targeted for the
issuance of approximately \$171 million in
GARVEE bonds in fiscal
year 2003-2004. The total
project cost is approximately

\$375 million, with the remaining funds coming from a number of other federal, state, and local sources.

This project, the first phase of a larger, \$750 million project, is expected to break ground in the Fall of 2003 and is expected to open to traffic in 2006. The project will construct four high-occupancy lanes in the freeway median, instead of the usual two. These lanes will be separated from the regular traffic lanes by a fixed concrete barrier. A movable barrier will be used to configure the high-occupancy lanes in the direction of high traffic. These lanes would be available free of charge to buses and carpools. Excess capacity may be sold to single drivers for a value-pricing fee.



1. California Pollution Control Financing Authority (CPCFA)

a. POLLUTION CONTROL TAX-EXEMPT BONDS

The Pollution Control Tax-exempt Bond Financing Program provides private activity tax-exempt bond financing to California businesses for the acquisition, construction, or installation of qualified pollution control, waste disposal, waste recovery facilities, and the acquisition and installation of new equipment. CPCFA financing assists municipalities in complying with waste diversion mandates of the California Integrated Waste Management Act of 1989.

Financing is performed in conjunction with CDLAC, the department that administers the Tax-exempt Private Activity Bond Debt Limit Allocation Program annually for California (see page 13). The allocation of a portion of the state's debt limit is required by federal tax law for private activity tax-exempt bonds to be issued.

Tax-exempt bond financing provides qualified borrowers with lower interest costs than are available through conventional financing mechanisms.

In addition, CPCFA provides a Small Business Assistance Fund (SBAF) to pay for some of the costs of issuance of taxexempt bonds issued on behalf of small businesses. The assistance reduces the net cost of financing tax-exempt bonds for small businesses. SBAF can pay for letters of credit fees, transaction fees, and other costs associated with the issuance of honds

ASSISTANCE TERMS

Bond amounts range from \$1 million and above.

ELIGIBLE ACTIVITIES

CPCFA issues tax-exempt bonds to finance projects that abate, eliminate, prevent, and control pollution or solid waste disposal.

The project can involve construction of a new facility, expansion of an existing facility, rehabilitation or replacement of all or part of an existing facility, or acquisition and installation of new equipment.

Types of projects which may qualify for tax-exempt bond financing include:

- · Materials recovery facilities,
- · Recycling facilities,
- · Waste-to-energy facilities,
- · Composting facilities,

- · Transfer stations,
- · Landfills,
- · Collection vehicles,
- · Residential waste containers, and
- Qualified solid waste control.

The proceeds may be used to pay for qualified capital costs incurred by the borrower, including:

- Land (as allowed by tax law);
- · Buildings, fixtures, and furnishings;
- · Machinery and equipment; and
- Architectural, engineering, surveying, permitting, and other incidental costs.

ELIGIBLE APPLICANTS

California businesses with a qualifying project.

POINT OF CONTACT

Rosalind Brewer, Program Manager

CPCFA – Pollution Control Tax-exempt Bonds Phone Number: (916) 657-4337 Web Site: www.treasurer.ca.gov/cpcfa E-mail Address: rbrewer@treasurer.ca.gov Street Address: 915 Capitol Mall, Room 457 Sacramento, CA 95814

Success Story

REPUBLIC SERVICES, INC.

Republic Services, Inc. (RSI) is a leading service provider in the domestic non-hazardous solid waste industry.

It provides non-hazardous solid

waste collection services for commercial, industrial, municipal, and residential customers through 139 collection companies in 22 states, and owns or operates 79

transfer stations, 21 materials recycling facilities, and 53 solid waste landfills.

In 2002, RSI received \$50 million in CPCFA Pollution Control Tax-exempt Bond financing for landfill development and closure projects; the purchase of collection vehicles, containers, land, machinery, and equipment; and the

construction and renovation of facilities at 15 locations within Alameda, Contra Costa, Los Angeles, Orange, San Bernardino, Solano, and Ventura Counties. These projects are expected to be complete by the end of 2002.

RSI expects there to be a number of public benefits as a result of this financing. Specifically, the financing is expected to result in the creation of 75 to 100 construction jobs during the life of the project and 300 permanent, full-time jobs, upon completion of the project (the company currently employees 1,600 people). In addition, this financing is expected to result in waste diversion away from landfills, air and water quality improvements in select cities, and increased energy generation.

As of May 31, 2002, THE PMIA HAD \$5.2 BILLION IN TIME DEPOSITS IN 124 COMMUNITY BANKS IN CALIFORNIA.



1. Pooled Money Investment Account (PMIA)

a. TIME DEPOSITS

To accommodate the strong need for capital to fund loans within their service area and to combat community banks' inability to tap into capital markets and compete with strong regional and national banks, the PMIA has a program to invest California tax dollars in California communities. This program stimulates growth in small businesses, home mortgages, equity loans, auto loans, and personal loans.

As of May 31, 2002, the PMIA had \$5.2 billion in time deposits in 124 community banks in California.

ASSISTANCE TERMS

- PMIA time deposits in California community banks.
- Deposits do not exceed 100 percent of bank's equity.
- Deposits collateralized at 100 percent of FDIC guarantee for first \$100,000 and 110 percent-150 percent on balances over \$100,000.
- Special consideration is given to the CRA rating of each institution with CRA ratings of less than satisfactory eliminating the institution from the program.

ELIGIBLE APPLICANTS

California community banks, savings & loans, and credit unions.

POINT OF CONTACT

Dan Dowell, Assistant Director

Investments Division
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Sacramento, CA 95814

b. SMALL BUSINESS LOAN PURCHASES

To accommodate loan servicing for low-to-moderate income areas of the State, the PMIA has a program to purchase the guaranteed portion of California-only securitized small business loans, with a concentration on low-to-moderate income areas. This provides a secondary market to encourage small business lending in underserved areas of the State.

As of May 31, 2002, the PMIA had \$262 million in small business loans.

ASSISTANCE TERMS

 PMIA purchase of small business loans in low-to-moderate income areas of the state.

- Concentration in areas designated by census tract (zip code) as underserved or CRA-eligible.
- Loans must be less than a year old from date of note.

ELIGIBLE APPLICANTS

Primary sellers (poolers) of SBA loans.

POINT OF CONTACT

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Investments Division

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APPENDIX

CONTACT INFORMATION FOR STATE COMMUNITY REVITALIZATION PROGRAMS

State Boards, Authorities & Commissions

Lisa M. Harris, Executive Director

California Debt and Investment Advisory Commission (CDIAC)

 Data Collection, Policy Research, and Continuing Education

www.treasurer.ca.gov/cdiac lharris@treasurer.ca.gov

915 Capitol Mall, Room 400 Sacramento, CA 95814 (916) 653-3269

Laurie Weir, Executive Director

California Debt Limit Allocation Committee (CDLAC)

 Tax-exempt Private Activity Bond Debt Limit Allocation

www.treasurer.ca.gov/cdlac lweir@treasurer.ca.gov

915 Capitol Mall, Room 311 Sacramento, CA 95814 (916) 653-3255

Roberta Economidis, Executive Director

California Educational Facilities Authority (CEFA)

- Standard and Pooled Tax-exempt Bonds
- Tax-exempt Equipment Notes

www.treasurer.ca.gov/cefa reconomidis@treasurer.ca.gov

915 Capitol Mall, Room 590 Sacramento, CA 95814 (916) 653-2872

Executive Director

California Health Facilities Financing Authority (CHFFA)

- HELP II Loans
- HealthCAP Loans
- Standard and Pooled Tax-exempt Bonds
- Tax-exempt Equipment Notes

www.treasurer.ca.gov/chffa 915 Capitol Mall, Room 590 Sacramento, CA 95814 (916) 653-2799

Joanie Jones-Kelly, Executive Director

California Industrial Development Financing Advisory Commission (CIDFAC)

· Tax-exempt Industrial Development Bonds

www.treasurer.ca.gov/cidfac jkelly@treasurer.ca.gov

915 Capitol Mall, Room 457 Sacramento, CA 95814 (916) 653-3843

Sherri Wahl, Program Manager

California Pollution Control Financing Authority (CPCFA)

 California Recycle Underutilized Sites (Cal ReUSE) Loans

www.treasurer.ca.gov/cpcfa swahl@treasurer.ca.gov

915 Capitol Mall, Room 457 Sacramento, CA 95814 (916) 654-5951

Karen Newquist, Program Manager

California Pollution Control Financing Authority (CPCFA)

 California Capital Access Program (CalCAP) for Small Businesses

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915 Capitol Mall, Room 457 Sacramento, CA 95814 (916) 654-5740

Rosalind Brewer, Program Manager

California Pollution Control Financing Authority (CPCFA)

• Pollution Control Tax-exempt Bonds

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915 Capitol Mall, Room 457 Sacramento, CA 95814 (916) 657-4337

Jeanne Peterson, Executive Director

California Tax Credit Allocation Committee (CTCAC)

 Federal and State Low-income Housing Tax Credits

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915 Capitol Mall, Room 485 Sacramento, CA 95814 (916) 654-6340

Pooled Money Investment Account (PMIA)

Dan Dowell, Assistant Director

Investments Division

- · Community Reinvestment Act (CRA)
- Loan Purchases
- · Time Deposits
- · Small Business Loan Purchases

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Office of Statewide Health Planning and Development (OSHPD)

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• California Health Facility Construction Loan Insurance

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California Technology, Trade and Commerce Agency

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 Infrastructure State Revolving Fund (ISRF) Loans

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Conduit Revenue Bonds

- Industrial Development Bonds (IDBs)
- 501(c)(3) Revenue Bonds
- Exempt Facilities

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 Energy Financing Industrial Development Bonds

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California Transportation Commission (CTC)/Department of Transportation (CalTrans)

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 Grant Anticipation Revenue Vehicle (GARVEE) Bonds

www.dot.ca.gov/hq/innovfinance/garvee bond.htm barbara_lewis@dot.ca.qov

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